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Message Text

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ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 2355
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E.O. 11652: N/A
TAGS: EPAP
SUBJECT: NATURAL RUBBER (NR)

REF: STATE 104226

PER REFTEL EMBASSY HAS PREPARED STUDY ON THAI NATURAL RUBBER INDUSTRY. MATERIAL HAS BEEN KEYED TO SEVEN CATEGORIES IN DEPARTMENT'S REQUEST.
A. TRENDS IN STRUCTURE:
THE NATURAL RUBBER INDUSTRY IN THAILAND IS PREDOMINANTLY A PRIVATE ENTERPRISE OPERATION WITH SOME RTG PROMOTION AND MINIMAL RTG CONTROL. INDUSTRY STRUCTURED INTHREE SEPARATE LEVELS: 1) SMALLHOLDERS: 500,000 TO 600,000 SMALLHOLDERS WITH TOTAL HOLDINGS OF APPROXIMATELY 8 MILLION RAIS (1 ACRE EQUAL 2.53 RAIS) WORK PLANTATIONS VARYING IN SIZE FROM 5 TO 250 RAIS TO PRODUCE 95 PERCENT OF THAILAND'S NATURAL RUBBER. THESE SMALLHOLDERS, MANY LIVING NEAR THE SUBSISTANCE LEVEL, USE RELATIVELY PRIMITIVE PRODUCTION TECHNIQUES AND DO THEIR OWN PLANING, TAPPING AND SHEETING. EIGHTY PERCENT OF THEIR RUBBER TREES ARE LOW-YIELD NATIVE VARIETIES (50-60 KILOGRAMS OF LATEX PER RAI PER
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YEAR) AND IN MANY CASES PAST THE PEAK OF PRODUCTION. THE QUALITY OF THEIR PRODUCT IS LOW; 2) MIDDLEMEN: AN ESTIMATED 6,000 MIDDLEMEN PERFORM VARIOUS FUNCTIONS IN MOVING NATURAL RUBBER FROM PLANTATIONS TO WAREHOUSES OF LARGE EXPORTERS. APPROXIMATELY 5,000 OF THESE ACT AS SAMLL-SCALE BROKERS COLLECTING RUBBER ON THE PLANTATIONS BY BICYCLE AND MOTORCYCLE AND SELLING IT TO RUBBER TRADERS AND SMOKING PLANTS IN THE CITIES. THE CITY ROBBER

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TRADERS IN TURN SELL THE RUBBER EITHER TO PROVINCIAL LEVEL TRADERS
WHO PROCESS IT IN THEIR SMOKING PLANTS OR DIRECTLY TO LARGE
EXPORTERS, WHO HAVE THEIR OWN PROCESSING FACILITIES. ONE WAY
OR ANOTHER 96 PERCENT OF ALL NATURAL RUBBER PRODUCED IN THAILAND
EVENTUALLY REACHES THE LARGE EXPORTERS WHO IN TURN SELL IT ON
THE INTERNATIONAL MARKET. THE REMAINING FOUR PERCENT IS USED
DOMESTICALLY; 3) EXPORTERS: IN 1976 THERE WERE 28 RUBBER EXPORTING
COMPANIES REGISTERED IN THAILAND. THE FIVE LARGEST COMPANIES
EXPORTED 77.3 PERCENT OF TOTAL THAI NATURAL RUBBER EXPORTS OF
372,952 TONS IN 1976. THEY ARE 1) TECH BEE HANG COMPANY
(29.4 PERCENT OF THAI NATURAL RUBBER EXPORTS),2) HUEY CHUAN
COMPANY, LIMITED (20.8 PERCENT),3) KRUNG SAENG COMPANY, LIMITED
(13.0 PERCENT),4) SINN THAI RUBBER COMPANY LIMITED (8.7 PERCENT)
AND 5) B.U. COMMERCIAL COMPANY (5.4 PERCENT). ABOUT 80 PERCENT
OF ALL THAI RUBBER PRODUCED IS SMOKED SHEET, 1-2 PERCENT
CONCENTRATED LATEX AND ABOUT 15 PERCENT RUBBER BLOCK. ONLY
FOUR COMPANIES AND THE RTG ROBBER ORGANIZATION ARE PRESENTLY PRO-
DUCING RUBBER BLOCK. IN 1976 TECH BEE HANG DOMINATED IN RUBBER
BLOCK WITH 97 PERCENT OF ALL THAI PRODUCTION AND EXPORTS.
B. EXTENT OF GOVERNMENTAL REGULATION:
THE RUBBER CONTROL ACT OF 1938 (COPY FORWARDED SEPARATELY)
EMPOWERS THE RTG TO CONTROL PLANTING, PROCESSING AND EXPORTATION
OF RUBBER. DURING WWII THE RTG IMPOSED STRICT QUOTAS ON PRO-
DUCTION AND EXPORT OF NATURAL RUBBER BUT ABANDONED THE QUOTA
SYSTEM IN 1951. THE RTG STILL HAS LEGISLATIVE AUTHORITY TO
IMPOSE PRODUCTION CONTROLS BUT DOES NOT AT PRESENT USE IT.
IMPORT CONTROLS ON NATURAL RUBBER WERE LIFTED IN 1975.
C. GOVERNMENT LEVIES ON EXPORTS:

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THE RTG HAS IMPOSED THREE LEVIES ON THE EXPORT OF NATURAL RUBBERS:
1) AN EXPORT DUTY BASED ON THE TYPE OF RUBBER AND PRICE PER
KILOGRAM (DUTY LIST FORWARDED SEPARETELY),2) AN EXPORT FEE OF
TWO BAHT (1BAHT EQUALS U.S. $.05) PER TON PAYABLE TO THE RUBBER
DIVISION, DEPARTMENT OF AGRICULTURE AND 3) A QUOTE CESS
UNQUOTE OR ASSESSMENT OF 0.5) PER TON PAYABLETO THE RUBBER
DIVISION, DEPARTMENT OF AGRICULTURE AND BAHT PER KILOGRAM ON
RUBBER EXPORTED AT A PRICE OF
UP TO 10 BAHT PLUS AN ADDITIONAL 10 PERCENT OF THE PRICE
ABOVE 10 BAHT PLUS AN ADDITIONAL 10 PERCENT OF THE PRICE ABOVE
10 BAHT PER KILOGRAM. THE CESS, WHICH IN 1976 AMOUNTED TO
BAHT 208 MILLION, GOES INTO THE RTG RUBBER PLANTATION AID FUND.
THIS FUND IS ALLOCATED 5 PERCENT FOR THE RUBBER RESEARCH CENTER
IN HAAD HAI, 90 PERCENT FOR REPLANTING OLD RUBBER TREES WITH NEW
HIGH-YEILD VARIETIES AND 5 PERCENT FOR ADMINISTRATIVE
OVERHEAD.
D. STRUCTURE AND OPERATION OF INTERNAL CREDIT SYSTEM:
TRADITIONALLY THE MIDDLEMEN HAVE PROVIDED THE SMALL HOLDERS WITH
SHORT TERM, INTEREST-FREE CREDIT. ALTHOUGH NOT LEGALLY OBLIGED

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TO SELL THEIR UNSMOKED SHEETS OF NATURAL RUBBER TO THE MIDDLE-
MAN IN RETURN FOR SUCH CREDIT, MOST SMALL HOLDERS DO OUT
OF GRATITUDE. THIS RELATIONSHIP HAS FRUSTRATED RTG EFFORTS TO
ESTABLISH COOPERATIVES AND TO IMPROVE THE SMALL HOLDERS MARKET
POWER VIS A VIS THE MIDDLEMAN. THE RTG DOES NOT PROVIDE
SHORT TERM CREDIT TO SMALL HOLDERS. THE RUBBER PLANTATION AID
FUND WILL ASSIST SMALL HOLDERS TO REPLANT UP TO A MAXIMUM OF
BAHT 2,800 PER RAI THROGH PROVISION TO TECHNICAL ADVICE,
RUBBER SEEDS, FERTILIZERS, INSECTICIDE, ETC.
E. GOVERNMENT DEVELOPMENT PLANS:
THE RTG'S RUBBER DEVELOPMENT PLANS INCLUDE:
1. RUBBER REPLANTATION PROGRAM. OF AN ESTIMATED 8.8 MILLION
RAIS PRESENTLY DEVOTED TO RUBBER GROWING, ONLY 1.8 MILLION
RAIS HAVE PRODUCTIVE, HIGH-YIELD TREES, 4.5 MILLION RAI HAVE
TREES OVER 30 YEARS OLD WITH LOW PRODUCTIVITY, 2.5 MILLION
RAIS HAVE LOW-YIELD NATIVE TREES. THE RUBBER PLANTATION AID
FUND OFFICE, WHICH RECEIVES ITS FUNDING FROM THE CESS WITH SUPPORT
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FROM THE RTG BUDGET PLANS TO ACCELERATE REPLANTING THROUGH
LOANS OF $50 MILLION FROM WORLD BANGK AND 3.4 MILLION POUNDS
STERLING FROM COMMON WEALTH DEVELOPMENT CORPORATTION. CURRENT
PLANS CALL FOR REPLANTING IN THE NEXT FIVE YEARS AS FOLLOWS:
1977 156,000 RAIS; 1978 218,000 RAIS, 1979 313,000 RAIS; 1980
313,000 RAIS; 1981 313,000 RAIS;

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ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 GSA-02 AGRE-00 CEA-01
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SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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2. RUBBER RESEARCH AND DEVELOPMENT PROGRAM. THE RTG DEPARTMENT OF AGRICULTURE, WITH A PROGRAM BUDGET FOR 1977 OF BAHT 52 MILLION FROM BOTH THE CESS AND GOVERNMENT FUNDS, RUNS A RUBBER RESEARCH AND DEVELOPMENT PROGRAM. FACILITIES INCLUDE THE RUBBER RESEARCH CENTER IN HAAD YAI AND 19 EXPERIMENTAL STATIONS. THE OVERALL OBJECTIVE OF THE PROGRAM IS TO INCREASE PRODUCTION OF NATURAL RUBBER IN THAILAND WITH SPECIAL EMPHASIS ON SELECTION OF HIGH-YIELD STRAINS OF RUBBER TREES, FERTILIZERS, CARE OF RUBBER TREES, CHEMICAL STIMULATION OF RUBBER TREES AND TECHNICAL TRAINING OF RUBBER GROWERS (7,000 PER YEAR). TARGET PRODUCTION FIGURES FOR THAILAND HAVE BEEN SET AT 400,000 METRIC TONS IN 1977 WITH 25,000 METRIC TON ANNUAL INCREASES TO LEVEL OF 505,000 METRIC TONS IN 1981;

3. INFRASTRUCTURE. THE LACK OF ADEQUATE DEEPWATER PORT FACILITIES IN THE SOUTHERN PROVINCES WHERE THE MAJORITY OF RUBBER IS GROWN PLACES SERIOUS LIMITATIONS ON THAI MARKETING OF NATURAL RUBBER. AT PRESENT DEEPWATER PORT FACILITIES EXIST ONLY IN SATTAHIP, WHICH IS TOO FAR FROM THE SOUTHERN RUBBER GROWING AREA. TO EXPORT HIGH VALUE BUT HEAVIER PER UNIT VOLUME
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BLOCK RUBBER, EXPORTERS MUST NOW HIP VIA TRUCK OR TRAIN TO SONGKHLA FOR LOADING ON SMALL SHIPS FOR TRANSFER TO LARGER ONES. THIS ADDS TO COST, DISCOURAGES DEVELOPMENT OF BLOCK RUBBER FACILITIES AND ENCOURAGESCONTINUED PRODUCTION OF LOWER TRADE, SMOKED SHEET RUBBER.

F. RESEARCH AND DEVELOPMENT PROGRAM:

THE RUBBER RESEARCH CENTER IN HAAD HAI UNDER THE RUBBER DIVISION, DEPARTMENT OF AGRICULTURE, CONDUCTS THE ONLY SERIOUS RESEARCH IN THAILAND ON NATURAL RUBBER. THE RUBBER RESEARCH CENTER IS FUNDED PRIMARILY THROUGH THE CESS BUT ALSO RECEIVES RTG BUDGETARY SUPPORT AND SOME FOREIGN ASSISTANCE (UNDP).
ITS PRIORITY PROJECTS INCLUDE THE INTRODUCTION AND PROMOTION OF CHEMICAL STIMULANTS TO INCREASE THE FLOW OF LATEX IN RUBBER TREES OVER 15 YEARS OLD AND THE INTRODUCTION OF HIGH-LEVEL TAPPING TECHNIQUES FOR TREES WHICH CAN NO LONGER BE TAPPED EFFECTIVELY AT LOWER LEVELS.

G. REGULATION AND OPERATION OF COMODITY EXCHANGES OR PHYSICAL MARKETS:

THAILAND DOES NOT HAVE A COMMODITY EXCHANGE AS SUCH. THERE ARE SIX MAJOR RUBBER TRADING CENTERS: HAAD YAI, TRANG, YALA, NARATHIVAL, PHUKET AND BANGKOK. THE FIVE MAJOR RUBBER EXPORTERS WITH HEADQUARTERS IN HAAD YAI AND BRANCH OFFICES IN EACH TRADING CENTER EXERCISE OLIGOPSONISTIC POWER IN SETTING PRICES AND DETERMINING PURCHASING POLICY. RTG EFFORTS TO

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IMPOROVE THE MARKET POWER OF SMALL HOLDERS THROUGH THE PRO-
MOTION OF SELLER COOPERATIVES HAVE PROVEN LARGELY UNSUCCESSFUL
DUE TO INADEQUATE RTG STAFFING AND LACK OF CREDIT FACILITIES.
MIDDLEMEN ROUTINELY DOWNGRADE SMALL HOLDERS' PRODUCT TO LOWEST
POSSIBLE GRADE, IN LARGE PART BECAUSE OF INHERENT DIFFICULTY
IN GRADING RAW RUBBER WITHOUT APPROPRIATE LABORATORY EQUIPMENT.
MANY MIDDLEMEN ALSO ALLEGEDLY CHEAT ON THE WEIGHING PROCESS.
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Disposition Approved on Date:
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2444505
Secure: OPEN
Status: NATIVE
Subject: NATURAL RUBBER (NR)
TAGS: EPAP, TH
To: STATE GENEVA
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/2d3d408f-c288-dd11-92da-001cc4696bcc
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